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TAGS: PGOV NZ

SUBJECT: JOHN KEY ELECTED NEW OPPOSITION LEADER

Ref A) Wellington 928 B) Wellington 923

Classified by DCM David J. Keegan, reasons 1.4 (B) and (D).

Summary

¶1. (SBU) SUMMARY: John Key has won the leadership of New Zealand's main opposition party, the National Party. In an uncontested election, Key replaced Dr. Don Brash who resigned last week after three turbulent years at the helm. National also elected a new Deputy Leader and Finance spokesman: the influential Bill English, a former party leader himself. Labour may well find the National Party a more difficult adversary now, as this new leadership is less likely to commit the gaffes of its predecessor. Ultimately, however, it's National's new message that will determine its support among voters, and while a Key-led National will likely be more moderate than Brash's party, it has yet to articulate its vision. End Summary

Key chosen to led National in uncontested ballot

¶2. (SBU) On Monday November 27, the National Party caucus officially chose John Key as its new leader, three days after Dr. Don Brash resigned the leadership to take responsibility for his latest political gaffe - a failed effort to block a muck-raking journalist from publishing a book based in part on his leaked personal emails. Although some commentators had predicted a contested leadership battle, Key emerged unscathed from what was a relative bloodless transition of power. The former party leader and Education spokesman Bill English will serve as National's Deputy Leader.

English decides against challenge, becomes Deputy Leader

¶3. (SBU) English reportedly thought about challenging Key, but in the end decided not to contest the leadership. Although he had previously intimated that he was not interested in serving as Key's second in command, English endorsed Key in return for securing the Deputy Leadership. Key apparently convinced incumbent Deputy Leader Gerry Brownlee not to fight to retain his position. As part of this negotiated deal, English asked Key for the finance portfolio as well, and Key granted the request. (Reportedly, in addition to wanting the powerful finance slot for its own sake, English desired the extra position because it makes his portfolio exactly equivalent to that of Deputy PM and Finance Minister Cullen.) Brownlee's ceding of the slot was orchestrated to dispel suggestions that there were divisions

within National's caucus over who would get the Deputy's job. Another major factor behind Key's decision to force Brownlee to make way for English is that Key needed the backing of English's own faction of supporters, most of whom are influential frontbenchers.

What the new leadership means for National

¶4. (SBU) National's new leadership team is considered the dream ticket by many political observers. It brings together arguably the two top performers in the National Party: the media-genic Key and the strategically savvy English. Moreover, the new leadership will likely bring a more moderate tone to National's politics, in contrast with what many voters (and some in the party's caucus) saw as Brash's Far Right radicalism. The uncontested leadership transition has enabled National to display unity in a time of change. National has had four leaders since Prime Minister Helen Clark took office in 1999, creating an impression of instability that has dogged the party. English has already stated that this new leadership is likely to be in place for several elections.

What the new leadership means for Labour

¶5. (SBU) The Key/English ticket is the one combination Labour fears the most. Gone now are the vulnerabilities in National's leadership that Labour so adroitly, and effortlessly, exploited. Key is more politically astute and disciplined than Brash. English has the gravitas and political and intellectual acumen that Brownlee lacks. Unlike most of their caucus colleagues, both Key and English have frequently bested their Labour opponents head-to-head in political debate. Moreover, both men are more likely to appeal to the much coveted centrist vote, especially women, than their predecessors. Labour is fully aware of the combined threat it now faces. Some months ago, an advisor in the Prime Minister's Office confessed to Post that a Key-English ticket is Labour's "worst nightmare."

What the new leadership means for the US-NZ relationship

¶6. (C/NF) Key has not yet fully articulated his personal positions on matters of foreign policy, but will reportedly deliver a speech on defense later in the week, which is expected to come shortly before he announces who will be National's spokesmen for Foreign Affairs, Defence and Trade. Key has worked in the United States and speaks favorably of the U.S. He has been friendly to Mission New Zealand and was scheduled to travel to Washington on the Voluntary Visitor Program earlier this year until he had to cancel to help deal with (or take advantage of) a political crisis involving Dr. Brash. We expect we will continue to have a good working relationship with National under his leadership.

Brash's future still undecided

¶7. (SBU) Brash's political fate is uncertain. On resigning his leadership he stated that unless the new leader offers him a portfolio of significant weight, he is unlikely to hang around. Key is expected to start allocating portfolios later in the week, and Brash is by no means guaranteed of acquiring the sort of significant portfolio which would tempt him to stay in parliament. Before he was made leader in 2003, Brash, a former Central Banker, said that he entered politics to be Finance Minister in a National Government. With English now in finance, this goal will almost certainly go unrealized. A problem for Key is that Brash's continued presence in Parliament at the time when a book scathing of him has just been launched (ref B), would hamper Key's aim of marketing National as new and improved under his leadership. If Brash does decide to leave, the number of National's parliamentary seats will remain unchanged. As a List MP, Brash will simply be replaced by the next person on the party list, Wellington accountant Katrina Shanks.